

SEP 18 1989

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

Your submitted information discloses that you were formed on [REDACTED]. It is stated within your Articles of Association and Bylaws that you are dedicated to promoting a better business community within and around [REDACTED], providing your members with a safe and secure place to do business within [REDACTED], and providing a collective voice in communicating with the city management on issues pertaining to [REDACTED].

Your membership consists of any stall owner within [REDACTED]. Your receipts are from membership fees. Your expenditures for advertising, promotion, and extermination constitute a substantial portion of your total expenditures. It is mentioned in your response to our letter of [REDACTED] that if you were to have a publication of your own, that only your members would be permitted to advertise in this publication. Your response also indicates that all of your advertising is used primarily to emphasize the names and merchandise of your members, and that all of your expenditures relating to extermination is for work done at the Market.

Section 501(c)(6) of the Code provides for the of exemption of business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Code	Indicator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]					
Date	2/16/89	2/17/89					

[REDACTED]

Section 1.501(a)-1(c) of the Income Tax Regulations defines the words "private shareholder or individual" as referring to persons having a personal and private interest in the activities of an organization.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that the activities of a business league should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 64-315, 1964-2 C.B., page 147, involves an association of merchants whose businesses constitute a shopping center. The primary activity of the association was to engage in advertising in order to attract customers to the shopping center. The association's advertising contained the names of the member merchants and their merchandise. Because the association's primary activity constituted the performance of particular services for members rather than improving business in the general community, it was held that the association did not qualify for exemption from Federal income tax as an organization described under section 501(c)(6) of the Code.

Revenue Ruling 65-14, 1965-1 C.B., page 236, provides that an organization formed to promote the tourist industry in its area and whose principal activity is the publication of a yearbook consisting largely of paid advertisements for its members is not entitled to exemption from Federal income tax as an organization described under Code section 501(c)(6). The publication of advertising matter containing a listing of the names of individual members constituted the performance of particular services for such individuals rather than an activity aimed at the improvement of general business conditions.

Your activities are similar to those of the organizations referred to within the above revenue rulings. Your membership consists of any stall owner in [REDACTED]. Your response to our letter of [REDACTED] indicates that all of your advertising primarily emphasizes the names and merchandise of your members. Advertising and promotion constitute a major portion of your expenditures. Your response also indicates that if you were to have your own publication, that only your members would be permitted to advertise within it. You further indicated that your expenditures relating to extermination are for work that is done only at [REDACTED]. Because your advertising, promotion, and extermination expenditures constitute a substantial portion of your total expenditures and primarily benefit your members, you are operated to perform particular services for your members. You therefore do not qualify for exemption from Federal income tax as an organization that is described under Code section 501(c)(6).

[REDACTED]

In accordance with this determination, you are a taxable entity and are required to file Federal income tax returns on Form 1120. If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]  
District Director

Enclosure: Publication 892